

**BOB BURNS PROPOSED AMENDMENT NO. 1**



0000158808

TIME/DATE PREPARED: December 16, 2014

RECEIVED

COMPANY: Arizona Public Service Company

AGENDA ITEM NO. 10

DOCKET NOS. E-01345A-13-0140 & E-01345A-14-0250

2014 DEC 16 P 4: 32

**ORIGINAL**

OPEN MEETING DATES: December 18-19, 2014

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

**DOCKETED**

DEC 16 2014

**At page 4, DELETE Line 16 through Page 11, Line 23**

DOCKETED BY	
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**At page 12, line 3, DELETE Finding of Fact No. 41, and INSERT:**

41. On December 3, 2014, APS filed a new proposal for installing and owning residential rooftop DG. The primary revisions to its original proposal are that the project would now only be 10 MW (instead of 20 MW) and that APS would no longer be seeking cost recovery through the REST surcharge, but would instead seek recovery in a future rate case just as it does for all plant investment between rate cases.

42. APS is also seeking Commission approval of its proposal to own residential rooftop DG, even though no such approval is legally required. Since APS is not seeking cost recovery prior to putting this plant into service, it may seek cost recovery in its next rate case after this plant is actually being used.

43. The Commission agrees with Staff that the proposed 20 MW AZ Sun DG project may not be needed to meet the Company's 2009 Settlement requirements. However, a modified pilot program may be useful to better understand the effectiveness and efficiencies that could be gained related to technical and operational considerations of utility-owned DG. This modified pilot program could also address solar availability to underserved customers and provide a cushion if the market does not reach the levels prescribed in the 2009 Settlement or REST requirements.

44. Our current method of energy delivery is rapidly changing with the advent of emerging technologies and the rooftop solar market is a significant part of this evolution. Thus, there appears to be an opportunity for sensible and cost-effective utility involvement in distributed solar in order to ensure grid reliability and resiliency as energy generation and delivery continues to evolve. A targeted project would: (1) balance the project costs with the potential benefits identified by APS; (2) permit APS to study grid benefits that might come with strategically locating solar and to assess the benefit of orienting solar panels towards the southwest and west to maximize production during system peak periods; and (3) apply this project capacity to the REST DG requirement while utilizing the existing 30% Federal Investment Tax Credit.

45. Therefore, the Commission has no objection to APS implementing an 8-10 MW pilot project of utility-owned DG to target specific distribution feeders in an effort to maximize potential system benefits from the deployment. The first stage should be 8 MW in size followed by a 2 MW second stage. The additional 2 MW should only be deployed if coupled with distributed storage in order to achieve operational benefits.

46. The Commission's non-objection to this pilot project should not be viewed as pre-approval for rate making purposes in a future rate case. No determination of prudence is being made at this time. Such a determination will be made during the rate case in which APS requests cost recovery of this project.

47. The 8-10 MW program is subject to a total operation and maintenance cost cap of \$25/kW per year and a total capital cost cap of \$28.5 million. APS should use competitive bids solicited through an independently-monitored RFP process.

48. The Commission seeks to ensure that the cost of the APS program is similar to that of third-party programs; therefore, APS commits to cost parity with current net metering rates, and if rate design is addressed in the future in a way that materially impacts existing net metering participants, APS should evaluate options for existing solar customers, as well as APS DG customers, to minimize any cost parity issues between the two groups and unintended impacts. The Company will not collect costs for this program through the REST surcharge, but will address cost recovery in APS's next rate case in the same manner as traditional rate base additions. The Company is on notice that the Commission's approval of this pilot project is not a determination of prudence for rate making purposes.

49. Since this is a unique pilot project, APS should form an unpaid, voluntary advisory committee that would advise on a defined set of research goals. This advisory committee would be convened by APS and include representatives involved in technological and operational aspects of rooftop solar and supporting infrastructure. This group of stakeholders should include, but not be limited to: Commission Staff (who would also serve as the committee chair), the Electric Power Research Institute ("EPRI"), the Residential Utility Consumer Office ("RUCO"), other Arizona electrical utility system operators or engineers, a rooftop solar industry representative, an inverter manufacturer representative, and university power systems engineering departments. The group would review the direction of the project and provide feedback on program design. Reports on the program results as compared to delineated program research objectives should be made public. Finally, if coupled with storage, APS may deploy the final 2 MW of the project. The research objectives of this 8-10 MW project include, but are not limited to:

1. Understanding feeder capacity benefits
2. Ascertaining distribution effects of solar penetration
3. Discovering ways to enhance grid flexibility
4. Gain a better understanding of the capabilities of inverter controls
5. Provide opportunities to study energy storage and PV coordination and management at the feeder level

**At page 12, lines 15, after “at this time” INSERT:**

“and to also not object to APS’s proposed 8-10 MW utility-owned DG pilot project as described herein”

**At page 12, Line 16, INSERT New CONCLUSION OF LAW:**

“4. The Commission’s non-objection to this pilot project is not to be viewed as pre-approval for rate making purposes in a future rate case and no determination of prudence is being made at this time.”

**At page 12, line 19, after “are denied” INSERT:**

“however, APS may pursue an 8-10 MW, utility-owned, DG pilot project as described herein. Under this smaller 8-10 MW DG project, APS should only install rooftop solar where doing so will assist APS in determining whether and how solar can be strategically located to provide grid benefits.”

**At page 12, line 20, INSERT New Order Paragraph:**

“IT IS THEREFORE ORDERED that any determination of prudence of Arizona Public Service Company’s 8-10 MW, utility-owned DG pilot project for rate making purposes shall not be made until the project is fully in service and Arizona Public Service Company requests cost recovery in a future rate case.

**\*\* Make all conforming changes**

<b>THIS AMENDMENT:</b>		
_____ Passed	_____ Passed as amended by _____	
_____ Failed	_____ Not Offered	_____ Withdrawn